

STATE OF LOUISIANA LEGISLATIVE AUDITOR

South Louisiana Community College
Louisiana Community and
Technical College System
State of Louisiana
Lafayette, Louisiana

June 5, 2002



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. "Tom" Schedler, Chairman
Representative Edwin R. Murray, Vice Chairman

Senator Robert J. Barham
Senator Foster L. Campbell, Jr.
Senator Lynn B. Dean
Senator Willie L. Mount
Representative Rick Farrar
Representative Victor T. Stelly
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Forty-one copies of this public document were produced at an approximate cost of \$148. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at www.la.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 2001, and for the Years
Ended June 30, 2001 and 2000**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

June 5, 2002

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 2001, and for the Years
Ended June 30, 2001 and 2000**

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		2
General Purpose Financial Statements:		
Balance Sheet - All Funds, June 30, 2001	A	4
For the Year Ended June 30, 2001:		
Statement of Changes in Fund Balances	B	6
Statement of Revenues, Expenditures, and Other Changes - Current Funds	C	8
For the Year Ended June 30, 2000:		
Statement of Changes in Fund Balances	D	9
Statement of Revenues, Expenditures, and Other Changes - Current Funds	E	11
Notes to the Financial Statements		12
	Exhibit	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A	
	Appendix	
Management's Corrective Action Plans and Responses to the Findings and Recommendations	A	



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 19, 2002

Independent Auditor's Report
on the Financial Statements

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of South Louisiana Community College, a component unit of the State of Louisiana, as of June 30, 2001, and for the years ended June 30, 2001 and 2000, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of South Louisiana Community College. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As of the year ended June 30, 1999, South Louisiana Community College's accounting records contained major inadequacies. As a result of those inadequacies, we were unable to render an opinion on the college's general purpose financial statements. Accordingly, we were unable to satisfy ourselves about the beginning fund balances at July 1, 1999, as presented in the accompanying general purpose financial statements.

As discussed on page 4 of Exhibit A of this report, inadequate controls and record keeping over student accounts receivable made it impractical to apply sufficient audit procedures to satisfy ourselves as to the student accounts receivable amount reported in the financial statements. The college's financial statements include amounts for student accounts receivable that represent approximately 8 percent of total assets for the General Fund and approximately 2 percent of total assets for both the Restricted Fund and Unexpended Plant Fund, respectively.

LEGISLATIVE AUDITOR

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Audit Report, June 30, 2001**

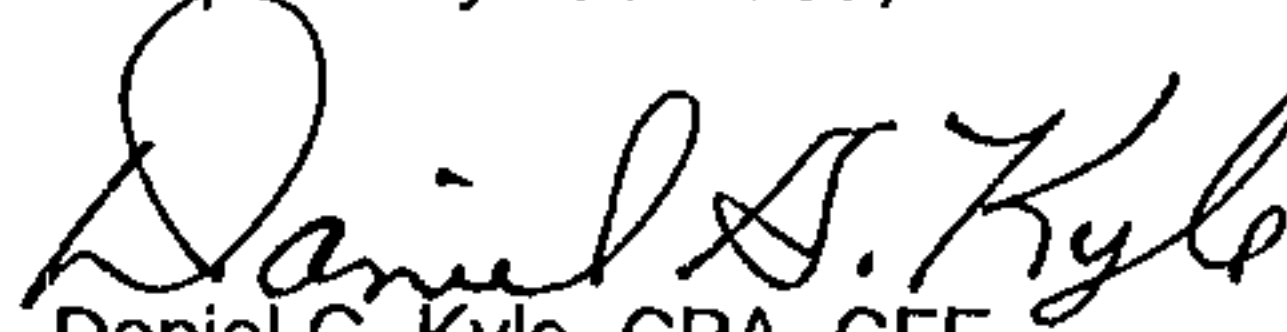
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the beginning fund balances and the student accounts receivable as discussed in the preceding paragraphs, the accompanying general purpose financial statements referred to previously present fairly, in all material respects, the financial position of South Louisiana Community College at June 30, 2001; the changes in fund balances; and the current funds' revenues, expenditures, and other changes for the years ended June 30, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 11 to the general purpose financial statements, the college changed its threshold for capitalizing fixed assets in the investment in plant fund.

As discussed in note 16 to the general purpose financial statements, South Louisiana Community College will implement the provisions of Government Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* as amended by GASB Statement Number 35, for the year ending June 30, 2002. The effects of GASB Statement Numbers 34 and 35 are expected to significantly impact the presentation of the financial statements of South Louisiana Community College in the year of implementation. The revised minimum reporting requirements include *Management's Discussion and Analysis* to introduce the basic financial statements and to provide an analytical overview of South Louisiana Community College's financial activities. In addition, the revised requirements include the presentation of South Louisiana Community College's financial statements as a business-type activity using the economic resources measurement focus and the accrual basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 19, 2002, on our consideration of South Louisiana Community College's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,


Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLC:BMcC:PEP:ss

[SLCC01]

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
ALL FUNDS**

Balance Sheet, June 30, 2001

	CURRENT FUNDS		
	AUXILIARY		
	GENERAL	ENTERPRISES	RESTRICTED
ASSETS			
Cash (note 2)	\$311,902	\$29,598	\$68,367
Accounts receivable (note 3)	26,601	1,666	34,138
Due from other campuses			9,631
Due from other funds	9,853		
Institutional plant (note 11)			
TOTAL ASSETS	\$348,356	\$31,264	\$112,136
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$268,184		\$8,318
Accrued liabilities	23,900		
Compensated absences payable (note 7)	168,425		
Due to state treasury (note 13)	13,026		
Due to other funds			10,563
Deferred revenues	43,246		5,125
Total Liabilities	516,781	NONE	24,006
Fund Equity:			
Net investment in plant			
Fund balances:			
Current operations:			
Unrestricted (deficit)	(168,425)	\$31,264	
Restricted			88,130
Noncurrent operations - restricted			
Total Fund Equity	(168,425)	31,264	88,130
TOTAL LIABILITIES AND FUND EQUITY	\$348,356	\$31,264	\$112,136

The accompanying notes are an integral part of this statement.

Statement A

PLANT FUNDS		
UNEXPENDED	INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
\$37,930		\$447,797
813		63,218
		9,631
710		10,563
	\$879,809	879,809
<u>\$39,453</u>	<u>\$879,809</u>	<u>\$1,411,018</u>
		\$276,502
		23,900
		168,425
		13,026
		10,563
\$2,050		50,421
<u>2,050</u>	<u>NONE</u>	<u>542,837</u>
	\$879,809	879,809
		(137,161)
		88,130
37,403		37,403
<u>37,403</u>	<u>879,809</u>	<u>868,181</u>
<u>\$39,453</u>	<u>\$879,809</u>	<u>\$1,411,018</u>

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances
For the Year Ended June 30, 2001**

	CURRENT FUNDS		
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
<i>Revenues and other additions:</i>			
Unrestricted current fund revenues	\$2,818,734	\$10,000	
Tuition and fees - restricted			\$44,676
Governmental grants and contracts - state			193,321
Additions to plant facilities (note 11)			
Total revenues and other additions	<u>2,818,734</u>	<u>10,000</u>	<u>237,997</u>
<i>Expenditures and other deductions:</i>			
Educational and general	2,818,734		197,660
Compensated absences	38,230		
Total expenditures and other deductions	<u>2,856,964</u>	<u>NONE</u>	<u>197,660</u>
Net increase (decrease) for the year	(38,230)	10,000	40,337
Fund balances (deficit) at beginning of year	<u>(130,195)</u>	<u>21,264</u>	<u>47,793</u>
Fund balances (deficit) at end of year	<u>(\$168,425)</u>	<u>\$31,264</u>	<u>\$88,130</u>

The accompanying notes are an integral part of this statement.

Statement B

PLANT FUNDS		TOTAL
UNEXPENDED	INVESTMENT IN PLANT	(MEMORANDUM ONLY)
		\$2,828,734
\$18,218		62,894
		193,321
	\$418,285	418,285
18,218	418,285	3,503,234
		3,016,394
		38,230
NONE	NONE	3,054,624
18,218	418,285	448,610
19,185	461,524	419,571
\$37,403	\$879,809	\$868,181

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
CURRENT FUNDS**

**Statement of Revenues, Expenditures,
and Other Changes
For the Year Ended June 30, 2001**

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Revenues:			
Tuition and fees	\$711,362		\$13,970
State appropriations	2,102,892		
Governmental grants and contracts - state			183,690
Auxiliary enterprise revenue		\$10,000	
Other sources	4,480		
Total revenues	<u>2,818,734</u>	<u>10,000</u>	<u>197,660</u>
Expenditures:			
Educational and general:			
Instruction	753,995		34,000
Academic support	483,176		12,388
Student services	241,920		
Institutional support	1,007,654		151,272
Operations and maintenance of plant	176,955		
Scholarships and fellowships	155,034		
Compensated absences	38,230		
Total educational and general expenditures	<u>2,856,964</u>	<u>NONE</u>	<u>197,660</u>
Other additions - excess of restricted receipts over transfers to revenues	<u>NONE</u>	<u>NONE</u>	<u>40,337</u>
Net increase (decrease) in fund balances	<u>(\$38,230)</u>	<u>\$10,000</u>	<u>\$40,337</u>

The accompanying notes are an integral part of this statement.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances
For the Year Ended June 30, 2000**

	CURRENT FUNDS		
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues and other additions:			
Unrestricted current fund revenues	\$1,934,333	\$9,167	
Tuition and fees - restricted			\$38,961
Governmental grants and contracts - state			101,812
Additions to plant facilities (note 11)			
Total revenues and other additions	<u>1,934,333</u>	<u>9,167</u>	<u>140,773</u>
Expenditures and other deductions:			
Educational and general	1,934,333		103,030
Compensated absences	63,296		
Total expenditures and other deductions	<u>1,997,629</u>	<u>NONE</u>	<u>103,030</u>
Net increase (decrease) for the year	(63,296)	9,167	37,743
Fund balances (deficit) at beginning of year, restated (note 9)	<u>(66,899)</u>	<u>12,097</u>	<u>10,050</u>
Fund balances (deficit) at end of year	<u>(\$130,195)</u>	<u>\$21,264</u>	<u>\$47,793</u>

The accompanying notes are an integral part of this statement.

PLANT FUNDS		TOTAL
UNEXPENDED	INVESTMENT IN PLANT	(MEMORANDUM ONLY)
		\$1,943,500
\$15,610		54,571
		101,812
	\$220,972	220,972
15,610	220,972	2,320,855
		2,037,363
		63,296
NONE	NONE	2,100,659
15,610	220,972	220,196
3,575	240,552	199,375
\$19,185	\$461,524	\$419,571

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
CURRENT FUNDS**

**Statement of Revenues, Expenditures,
and Other Changes
For the Year Ended June 30, 2000**

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Revenues:			
Tuition and fees	\$226,483		\$1,218
State appropriations	1,707,850		
Governmental grants and contracts - state			101,812
Auxiliary enterprise revenue		\$9,167	
Total revenues	<u>1,934,333</u>	<u>9,167</u>	<u>103,030</u>
Expenditures:			
Educational and general:			
Instruction	728,796		101,812
Academic support	43,649		
Student services	286,850		
Institutional support	643,329		1,218
Operations and maintenance of plant	101,536		
Scholarships and fellowships	130,173		
Compensated absences	63,296		
Total educational and general expenditures	<u>1,997,629</u>	<u>NONE</u>	<u>103,030</u>
Other additions - excess of restricted receipts over transfers to revenues	<u>NONE</u>	<u>NONE</u>	<u>37,743</u>
Net increase (decrease) in fund balances	<u>(\$63,296)</u>	<u>\$9,167</u>	<u>\$37,743</u>

The accompanying notes are an integral part of this statement.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements
As of June 30, 2001, and for the
Years Ended June 30, 2001 and 2000

INTRODUCTION

South Louisiana Community College is a publicly supported, state mandated institution of higher education. The college is a component unit of the State of Louisiana, within the executive branch of government. South Louisiana Community College was established under Louisiana Revised Statute (R.S.) 17:3223 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the college and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents of Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

South Louisiana Community College is domiciled and classes are taught in Lafayette Parish at the campus of the University of Louisiana at Lafayette. Classes are also taught at facilities in New Iberia and Franklin. The college offers associate of art degrees in the areas of early childhood education and liberal arts; an associate of general studies; and associate of applied science degrees in general business, emergency health science, criminal justice, and industrial technology. Student enrollment was 228, 769, and 841 for the summer, fall, and spring semesters, respectively, during the fiscal year 2001. The college had approximately 89 faculty and staff for the 2000-2001 fiscal year, which includes 52 adjunct faculty.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) considers both the American Institute of Certified Public Accountants (AICPA) College Guide model and the governmental model to be acceptable for accounting and financial reporting by governmental colleges and universities. The accompanying financial statements have been prepared in accordance with the AICPA College Guide model principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The college is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

for fiscal matters as follows: (1) the majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the college primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of South Louisiana Community College, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements within the Louisiana Community and Technical College System accounts. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

To observe the limitations and restrictions placed on the use of available resources, the accounts of the college are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with specified activities or objectives. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups. Accordingly, all financial statements have been reported by fund groups. A brief description of each fund group follows:

Current Funds

Current funds are operating funds that will be expended in the near term. Such funds have two basic sub-groups--unrestricted and restricted.

Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriations act, and include the General and Auxiliary Enterprise Funds. Restricted current funds represent those operating funds on which restrictions have been imposed which limit the purposes for which such funds can be used, and include gifts, grants, and contracts from governmental or private agencies.

Plant Fund

The plant fund group contains two self-balancing subgroups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Investment in plant includes all long-lived assets of the college.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

D. BASIS OF ACCOUNTING

The financial statements of the college have been prepared on the accrual basis of accounting, except that (1) depreciation is not recognized; and (2) summer school tuition and fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year.

The statement of current funds' revenues, expenditures, and other changes is a statement of financial activities of current funds relating to the current reporting period. It does not purport to present the results of operations for the period as would a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as expenditures in the case of normal acquisitions, repairs and renovation; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a nonmandatory nature for all other cases.

E. BUDGET PRACTICES

The appropriation made for the General Fund of the college is an annual lapsing appropriation established by legislative action and Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive bodies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) carry forward of prior-year funds is recognized as revenue in the current year.

The budgeted amounts include the original approved budget and subsequent amendments approved as follows:

	Fiscal Year Ended	
	June 30, 2001	June 30, 2000
Original approved budget	\$2,191,529	\$1,748,505
Amendments:		
State General Fund increases	377,098	259,345
Increases in self-generated revenues	270,000	
	<u>647,100</u>	<u>259,345</u>
Total budgeted amounts	<u>\$2,838,627</u>	<u>\$2,007,850</u>

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

The other funds of the college, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

F. CASH

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

G. DEFERRED REVENUES

Tuition and fees collected at June 30, 2001, but applicable to the 2001 summer and fall sessions, are reported as deferred revenues. Expenses relating to these sessions are reported in the period the tuition and fees are recognized as revenues.

H. ENCUMBRANCES

The college employs encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve fund balances, during the year. Encumbrances of the General Fund are not included in the financial statements because the college does not have the ability to finance the liquidation of encumbrances after June 30, 2001, as provided by R.S. 39:82. No encumbrances are outstanding at June 30, 2001.

I. PLANT ASSETS

Equipment and library books are stated at cost at the date of acquisition, fair market value at date of donation in the case of gifts, or estimated historical cost if actual cost is not known. Public domain or infrastructures are not capitalized. No depreciation has been provided on plant assets.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned. Upon separation of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified personnel or their heirs are compensated for accumulated sick leave not

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the classified employee's hourly rate of pay at termination or transfer.

K. TOTAL COLUMNS ON STATEMENTS

Total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

2. CASH

At June 30, 2001, the college has cash (book balances) of \$447,797 as follows:

Petty cash	\$500
Interest-bearing demand deposits	72,207
Cash with state treasurer	<u>375,090</u>
Total	<u><u>\$447,797</u></u>

Under state law, all deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2001, the college has \$82,033 in deposits (collected bank balances) secured from risk by federal deposit insurance (GASB Category 1).

Included in cash is cash available to the college within the state treasury totaling \$375,090. These amounts are secured by fiscal agent banks established by the state treasury independent of the college.

3. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
General	\$26,601		\$26,601
Auxiliary Enterprise	1,666		1,666
Restricted	34,138		34,138
Unexpended Plant	813		813
Total	<u>\$63,218</u>	<u>NONE</u>	<u>\$63,218</u>

4. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. For the years ended June 30, 2001 and 2000, contributions by the college are 14.2% and 15.2%, respectively, to TRS, and 13.0% and 12.3%, respectively, to LASERS of the covered payroll. The State of Louisiana funds the college's employer contribution through the annual appropriation to the college. The college's employer contributions to TRS for the years ended June 30, 2001, 2000, and 1999, were \$78,496, \$64,042, and \$75,561, respectively, and to LASERS for the years ended June 30, 2001, 2000, and 1999, were \$17,864, \$10,837, and \$7,141, respectively, equal to the required contributions for each year.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

5. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

For the years ended June 30, 2001 and 2000, contributions by the college are 14.2% and 15.2%, respectively, of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the Teachers Retirement System of Louisiana. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer contributions to the optional retirement plan for the years ended June 30, 2001 and 2000, were \$59,229 and \$60,800, respectively.

6. CONTINGENT LIABILITIES

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program or by General Fund appropriation. The college is not involved in any lawsuits at June 30, 2001.

7. COMPENSATED ABSENCES

At June 30, 2001, employees of the college have accumulated and vested \$168,425 of employee leave benefits, which was computed in accordance with GASB Codification Section C60, and which is recorded as a liability in the accompanying financial statements.

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

8. REVENUE LEASES

The college sub-leases space for the operation of a bookstore on the New Iberia campus. Minimum future rentals on the operating lease, as of June 30, 2001, are as follows:

<u>Nature of Lease</u>	<u>2002</u>	<u>2003</u>
Bookstore space	\$10,000	\$833

9. RESTATEMENT OF BEGINNING FUND BALANCE

The following adjustments were made to restate beginning fund balances as of July 1, 1999:

	<u>Fund Balance June 30, 1999</u>	<u>Adjustments</u>	<u>Fund Balance (Deficit) Restated June 30, 1999</u>
Current Funds:			
General		(\$66,899)	(\$66,899)
Auxiliary Enterprise	\$12,097		12,097
Restricted	13,625	(3,575)	10,050
Plant Funds:			
Unexpended		3,575	3,575
Investment in Plant		240,552	240,552
Total	<u>\$25,722</u>	<u>\$173,653</u>	<u>\$199,375</u>

The beginning current fund balances were adjusted to properly reflect compensated absences and to correct a classification error. The beginning plant fund balances were adjusted to properly reflect investments in plant for equipment and library books omitted from the prior year financial statements and to correct a classification error.

10. FUND DEFICIT

As shown on Statements B and D, the General Fund had deficits of \$168,425 and \$130,195 for fiscal years 2001 and 2000, respectively, as a result of the liability for compensated absences. The deficit will be funded by future General Fund appropriations and other revenues.

11. PLANT FUNDS

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 93, *Recognition of Depreciation by Not-for-Profit Organizations*, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

tangible assets in their financial statements. In January 1988, the GASB issued Statement No. 8, which addresses the implementation of FASB Statement No. 93. Codification of Governmental Accounting and Financial Reporting Standards Section Co5.102 states, "Colleges and universities that follow the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, should not change their accounting and reporting for depreciation of capital assets as a result of FASB Statement No. 93; the GASB has several projects under way that may affect that reporting." As reflected in note 1-D, the college does not currently recognize depreciation.

A summary of changes in investment in plant follows:

	Balance July 1, 1999	Adjustment	Balance July 1, 1999, Restated	Additions	Balance June 30, 2000	Additions	Balance June 30, 2001
Equipment	\$294,510	(\$113,290)	\$181,220	\$217,672	\$398,892	\$383,157	\$782,049
Library books	29,972	29,360	59,332	3,300	62,632	35,128	97,760
Total	<u>\$324,482</u>	<u>(\$83,930)</u>	<u>\$240,552</u>	<u>\$220,972</u>	<u>\$461,524</u>	<u>\$418,285</u>	<u>\$879,809</u>

Balances at July 1, 1999 were restated to properly reflect library books and equipment purchased before June 30, 1999. In addition, equipment was adjusted for movable property items with an acquisition cost of less than \$1,000. The university follows Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. The LPAA changed the dollar threshold for capitalizing equipment from \$250 to \$1,000 in September 2000. Therefore, the reported balances have been adjusted to reflect the impact of the change in capitalization policy. The equipment balance at June 30, 2000, only includes movable property items with an acquisition of \$1,000 or above.

12. AUXILIARY ENTERPRISES

The college maintains an auxiliary enterprise fund that provides a bookstore to the college community. Segment information for the fiscal years ended June 30, 2001 and 2000, follows:

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Net increase in fund balances	\$10,000	\$9,167
Net income	10,000	9,167
Net assets	31,264	21,264

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

13. DUE TO STATE TREASURY

As shown on Statement A, the General Fund has \$13,026 due to the state treasury at June 30, 2001. This amount consists of \$12,526 of prior year unexpended appropriation and a \$500 petty cash advance.

14. FOUNDATION

The accompanying financial statements do not include the accounts of the South Louisiana Community College Foundation, Incorporated. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

15. DEFERRED COMPENSATION PLAN

Certain employees of South Louisiana Community College participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

16. GASB 34 AND 35 IMPLEMENTATION

The college will implement the provisions of GASB Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB Statement Number 35, for the fiscal year ending June 30, 2002. The effects of GASB Statement Numbers 34 and 35 are expected to significantly impact the presentation of the financial statements of the college in the year of implementation. The revised minimum reporting requirements include *Management's Discussion and Analysis* to introduce the basic financial statements and to provide an analytical overview of the university's financial activities. In addition, the revised requirements include the presentation of the college's financial statements as a business-type activity using the economic resources measurement focus and the accrual basis of accounting.

17. SUBSEQUENT EVENT

Effective July 1, 2002, Dr. Ned Doffoney will resign as chancellor of South Louisiana Community College.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 19, 2002

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the General Purpose Financial Statements
Performed in Accordance With Government Auditing Standards

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

We have audited the general purpose financial statements of South Louisiana Community College, a component unit of the State of Louisiana, as of June 30, 2001, and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated April 19, 2002. The scope of our audit was limited in that we were unable to satisfy ourselves about beginning fund balances at July 1, 1999, and we were unable to apply sufficient audit procedures to satisfy ourselves as to the student accounts receivable amount reported in the financial statements. These issues resulted in a qualified opinion on the general purpose financial statements. Except for these scope limitations, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Louisiana Community College's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Noncompliance With Movable Property Regulations

South Louisiana Community College (SLCC) did not maintain adequate controls over movable property to ensure compliance with state movable property laws and regulations. Louisiana Administrative Code (LAC) 34:VII:305-311 requires, in part, that (1) all qualified movable property be tagged and all pertinent inventory information, including acquisition cost, be reported to the Louisiana Property Assistance Agency (LPAA) within 45 days of receipt of the property; (2) the location of movable property items be tracked; (3) receipts be obtained from employees entrusted with movable

EXHIBIT A

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

Compliance and Internal Control Report

April 19, 2002

Page 2

property items; and (4) a request for disposition (BF-11 form) be submitted to the LPAA for each idle or surplus item within the week it becomes known or identified. Furthermore, good internal control requires that the acquisition, valuation, and disposition of movable property are accurately reflected in the accounting records and that amounts reported in the financial statements are materially correct. At June 30, 2001, SLCC is responsible for movable property totaling \$782,049. Various tests of movable property records disclosed the following deficiencies:

1. A reconciliation of fiscal year 2001 acquisitions per the general ledger to acquisitions per the LPAA inventory system and an additional test for existence disclosed that 23 movable property items had incorrect historical costs recorded in the LPAA inventory system. Also, an additional eight items purchased during the year had not been tagged or reported to the LPAA as of August 15, 2001, from 49 to 440 days after their purchase date. As a result of these errors, the value of movable property was understated by \$50,829. An audit adjustment was made at year-end to correct the amount of movable property reported in the financial statements.
2. In a separate test of additions, two (7%) of 27 items were not added to the LPAA inventory system until 49 to 131 days after the receipt of the property. Three (11%) items were not in the correct location according to the inventory listing. One of three items entrusted to employees did not have a receipt from the employee responsible for the item. Also, one surplus item was placed in a storage room on an unknown date without submitting a request for disposition (BF-11 form) to LPAA.

These conditions occurred because management did not place sufficient emphasis on controls over movable property, including a monthly reconciliation between agency records and LPAA records. Failure to maintain adequate internal control over movable property increases the risk of financial statement errors for movable property, untimely tagging of equipment, and inaccurate information in the LPAA inventory system.

Management should develop and implement adequate internal control over movable property to comply with movable property regulations as prescribed by state laws and regulations. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

Compliance and Internal Control Report

April 19, 2002

Page 3

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SLCC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted the following matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect SLCC's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the following paragraphs.

Internal Control Weaknesses Over Cash Receipts

For the third consecutive audit, SLCC did not establish adequate controls over cash receipts to ensure that amounts collected are deposited timely and properly recorded. A good system of internal control requires that duties be adequately segregated, that the number sequence of receipts be accounted for and agreed to deposit information, and that receipts be deposited timely. A review of the college's controls over cash receipts revealed the following weaknesses:

- The same person who collects cash also prepares deposits and reconciles amounts collected to amounts deposited. This person also posts transactions to the individual student accounts, bills students for amounts owed to the college, and places holds on transcripts and grades of students for nonpayment, which reflects an inadequate segregation of duties.
- SLCC does not account for the completeness of receipts and for all three parts of voided receipts. In a review of prenumbered receipts issued during the period November 2000 through January 2001, 30 receipts could not be traced to deposit documentation. Agency personnel subsequently determined that 21 receipts were voided and six were duplicates. Three (10%) receipts could not be accounted for. Also, all three parts of the voided receipts could not be accounted for. During a separate test of student receivables, we found that one part of a receipt was marked "void" while another part of the same receipt located in a student's file showed the student paid cash, an indication of either an error or that cash was collected and not deposited. Also, an additional

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

Compliance and Internal Control Report

April 19, 2002

Page 4

test performed by the Investigative Audit Division, Office of Legislative Auditor, disclosed four instances during the period November 2000 to October 2001 where cash for \$2,136 was collected, a receipt was prepared, but the cash was not deposited.

- In a test of 20 deposits totaling \$48,114, six (30%) deposits totaling \$11,567 were deposited from 3 to 10 days after receipt. Receipts should be deposited daily.

These conditions occurred because management did not place sufficient emphasis on controls over cash receipts, including the proper segregation of duties, accounting for sequentially numbered receipts, and depositing receipts timely. Failure to maintain adequate internal control over cash receipts increases the risk that errors or fraud could occur and remain undetected.

Management should develop and implement adequate internal control over cash receipts to ensure that amounts collected are deposited timely and properly recorded. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

Inadequate Controls Over Student Accounts Receivable

For the second consecutive audit, SLCC did not have adequate controls over student accounts receivable and did not comply with established policies regarding refunds of tuition and fees and administrative holds on student accounts. A good control system should include a periodic reconciliation of student account records to the amounts recorded as student accounts receivable and should ensure that student account balances are accurate, that refunds of tuition and fees are made properly, and that amounts owed the college are collected timely. SLCC's established policy is to place administrative holds on student accounts for nonpayment of tuition and fees. Administrative holds prevent students from receiving grades and transcripts or registering for subsequent semesters. In addition, SLCC's refund policy states that refunds of tuition and fees will be processed provided that the student completes the written drop/withdrawal or resignation process by certain deadlines and that non-attendance does not constitute withdrawal or resignation.

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

Compliance and Internal Control Report

April 19, 2002

Page 5

SLCC uses a computer-related student information system (SIS) to maintain registration and student account data including student accounts receivable amounts. The SIS is operated on a mainframe located at another community college. SLCC also uses an Excel spreadsheet as a general ledger account to provide the student receivables balance for financial reporting purposes. Student charges are entered into the spreadsheet from enrollment reports run from the SIS. Student payments are posted to the spreadsheet from deposit records.

During a review of student accounts maintained on both SIS and the spreadsheet, the following deficiencies were noted:

1. SLCC did not reconcile the student account balances per SIS to the student receivables balance per the spreadsheet. As a result, the college was unaware of an unreconciled difference of \$5,446 between the student account balances totaling \$8,106 in SIS for the fall 2000 and spring 2001 semesters and the student receivables balance totaling \$13,552 reported in the financial statements at June 30, 2001, for those same semesters.
2. The spreadsheet contained errors in the formulas used to calculate student account balances. Also, there was no audit trail between the amounts entered into the spreadsheet and the amounts recorded in SIS.
3. In a test of 18 student accounts taken from the spreadsheet, 10 (56%) had inconsistencies between the amounts recorded per SIS, the amounts recorded on the spreadsheet, and supporting documentation in the student files. Eight accounts did not agree to the SIS or the student files. Two accounts agreed with the SIS but not with the student files. These inconsistencies indicate either errors were made in posting transactions to SIS or the spreadsheet, or both, or that adjusting entries were made improperly.
4. In a test of 26 students receiving refunds of tuition and fees for the fall 2000 and spring 2001 semesters, 20 (77%) students who did not qualify under the college's refund policy were issued refunds totaling \$6,123. The students either did not complete the written drop/withdrawal or resignation process by the required deadlines or were dropped for non-attendance. Also, one of the 20 refunds was issued in error. The refund occurred when a state scholarship waiver for the spring 2001 semester was credited to the account of a student who did not attend school that

EXHIBIT A

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

Compliance and Internal Control Report

April 19, 2002

Page 6

semester. As a result, the student's account reflected the college owed the student \$650 and a refund was incorrectly issued to the student.

5. In a test of 18 student accounts with outstanding balances at June 30, 2001, three (17%) students had no administrative holds placed on their accounts as required by school policy. Also, two of these students received grades for the spring 2001 semester.
6. SLCC did not reduce the student receivable balance with an offset account such as an allowance for doubtful accounts. At June 30, 2001, student receivable balances totaling \$13,683 (47% of a total of \$29,419) have been outstanding for a year or more. None of the accounts have been forwarded to a collection agency.

These conditions occurred because management has not placed sufficient emphasis on internal control over student accounts receivable and compliance with established policies. Consequently, management cannot be assured that the financial statement amount for student accounts receivable is fairly presented when student receivable balances are not reconciled to student account records, when student account balances are inaccurate, and when no allowance has been made for accounts that are doubtful of collection. Also, failure to follow the established refund policy increases the risk that inaccurate refunds will be made. Failure to adopt policies for the collection of student accounts receivable and to actively pursue collection of student accounts receivable increases the risk that amounts owed to the college will not be collected.

Management should establish adequate controls over student accounts receivable, including reconciling the student receivables balance per the spreadsheet to the student account balances in the SIS, requiring supervisor approval of all adjusting entries to student accounts, and establishing an allowance for doubtful accounts. Also, management should follow its refund and administrative hold policies and actively pursue collection of amounts owed to the college. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 3-4).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be

EXHIBIT A

LEGISLATIVE AUDITOR

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Compliance and Internal Control Report

April 19, 2002

Page 7

reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described previously, we consider the findings on the lack of controls over cash receipts and student accounts receivable to be material weaknesses.

Other Report

A management letter dated December 1, 2000, was issued by the Legislative Auditor, which included findings on compliance and internal control for SLCC for the fiscal year ended June 30, 2000. Those findings included issues relating to accounting control weaknesses, state scholarship awards not properly controlled, and noncompliance with procurement regulations. Management's responses are included in that report. A copy of that report is available for public inspection at the Baton Rouge office of the Legislative Auditor, and the report can also be found on the Internet at www.la.state.la.us:80/f&c.shtml.

This report is intended solely for the information and use of South Louisiana Community College and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLC:BMcC:PEP:ss

{SLCC01}

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



SOUTH LOUISIANA COMMUNITY COLLEGE

April 5, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Noncompliance with Movable Property Regulations

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

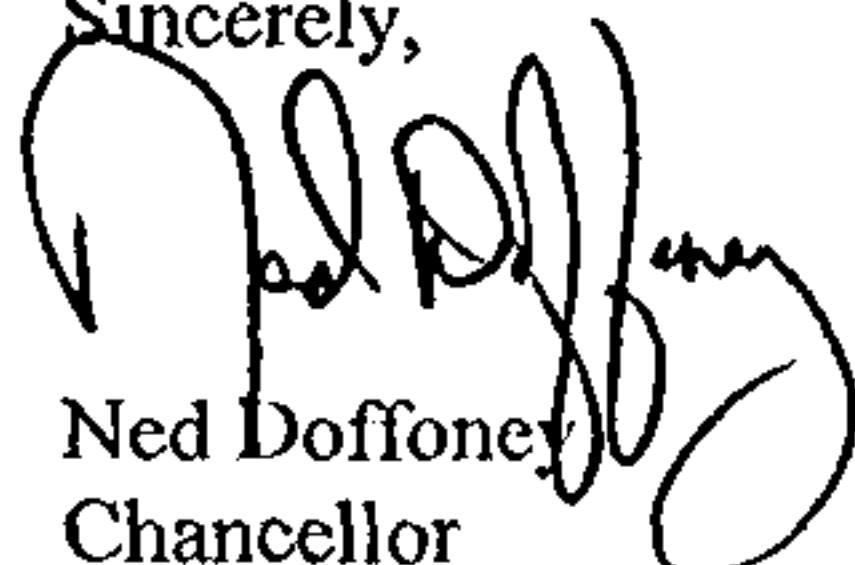
South Louisiana Community College agrees with the audit findings and recommendations.

CORRECTIVE ACTIONS:

The physical growth of SLCC has out paced its financial growth resulting in a shortage of staff. The person responsible for student financials is also responsible for property management. With an enrollment of 300 students, both assignments were possible. Now that the College has approximately 1,100 students, this function has to be reassigned. Employee transition and a lack of internal communication account for items not being tagged or reported. Procedures are being put in place to ensure compliance with movable property regulations. In addition to copies of the purchase orders being forwarded to the property manager, an Infomaker report will be used as a purchase order reconciliation tool every thirty days.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,


Ned Doffoney
Chancellor

A Member of the Louisiana Community and Technical College System

1606 Johnston St., Lafayette, LA 70503 *
Phone: (337) 262-1870
Fax: (337) 262-1873

908 Ember Dr., New Iberia, LA 70560 *
Phone: (337) 373-0185
Fax: (337) 373-0187

1013 Perret St., Franklin, LA 70538
Phone: (337) 413-8146
Fax: (337) 413-8145



SOUTH LOUISIANA COMMUNITY COLLEGE

April 5, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Internal Control Weaknesses over Cash Receipts

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

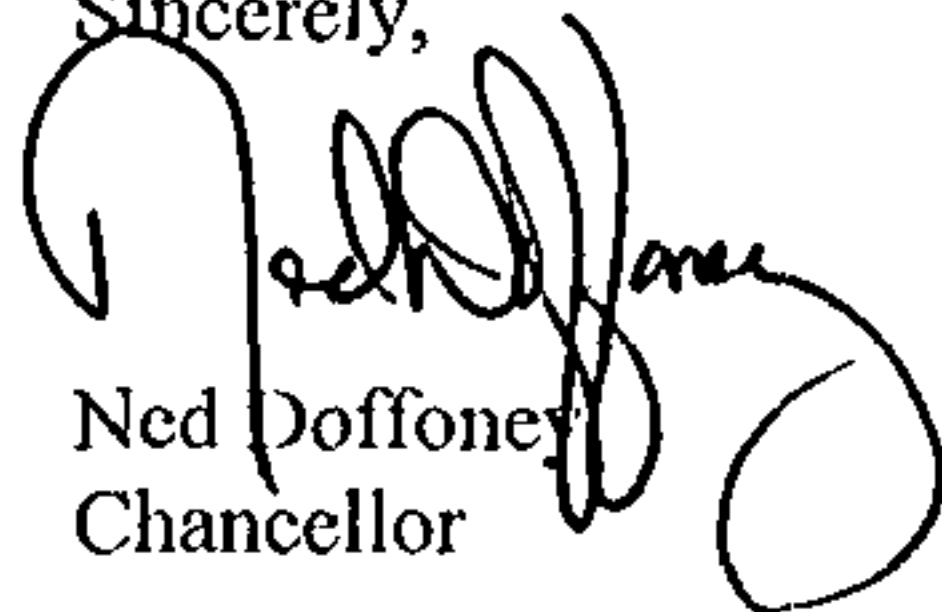
South Louisiana Community College agrees with the audit findings and recommendations.

CORRECTIVE ACTIONS:

SLCC has changed its procedure to ensure separation of duties. Additionally, deposit dates are monitored monthly to ensure efficiency of deposits.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,


Ned Doffoney
Chancellor

A Member of the Louisiana Community and Technical College System

1606 Johnston St., Lafayette, LA 70503
Phone: (337) 262-1870
Fax: (337) 262-1873

* 908 Ember Dr., New Iberia, LA 70560
Phone: (337) 373-0185
Fax: (337) 373-0187

* 1013 Perret St., Franklin, LA 70538
Phone: (337) 413-8146
Fax: (337) 413-8145



SOUTH LOUISIANA COMMUNITY COLLEGE

April 5, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Inadequate Controls Over Student Accounts Receivable

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

South Louisiana Community College agrees with the audit findings and recommendations..

CORRECTIVE ACTIONS:

Management of SLCC continues to have a lack of technical support for the SCT system. The College obtained on-site technical assistance from SCT for the student administration module; the results of the technical assistance revealed that SLCC would have to purchase an upgraded version of the SCT software and obtain staff training at a cost of approximately \$50,000. Because Louisiana Community and Technical College System (LCTCS) had purchased Peoplesoft as the administrative software system and implementation plans were underway, SLCC was advised not to proceed with the SCT upgrade. According to the LCTCS implementation schedule, SLCC is scheduled to go live in August, 2002.

Until PeopleSoft student administration module is completely implemented, the following actions are being taken to ensure adequate internal control over student accounts receivable: (1) review all transactions posted to student accounts receivable; (2) reconcile receipts generated from SCT to the Excel spreadsheets monthly; and (3) correct and monitor spreadsheet formulas to ensure accuracy. Management has adopted the Allowances/Write Off Policy adopted by LCTCS.

A Member of the Louisiana Community and Technical College System

1606 Johnston St., Lafayette, LA 70503 *
Phone: (337) 262-1870
Fax: (337) 262-1873

908 Ember Dr., New Iberia, LA 70560 *
Phone: (337) 373-0185
Fax: (337) 373-0187

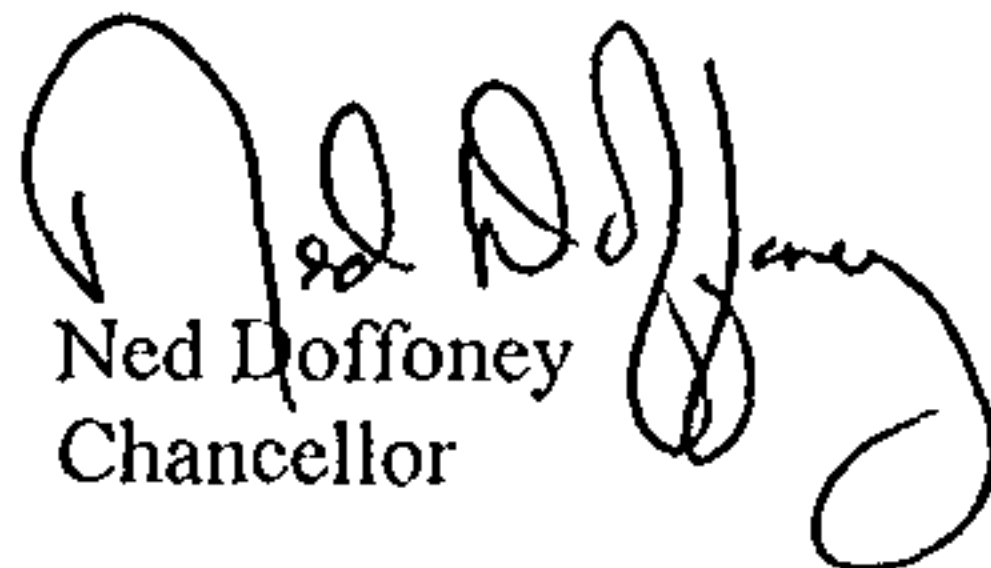
1013 Perret St., Franklin, LA 70538
Phone: (337) 413-8146
Fax: (337) 413-8145

The refund policy has been revised to reflect Management's intent. It was Management's intent to charge a student who registered for classes, attended at least one class, but never showed up again to be billed. It was not Management's intent to charge a student who registered, but never attended class, thus never received a service.

Management of SLCC also recognizes the importance of maintaining an adequate system for the timely collection of student accounts receivable. The Office of Administration and Finance will explore the use of the Attorney General's Office and the District Attorney's Office in the collection of student accounts receivable. Additionally, the College will determine the feasibility of using a private collection agency for accounts that cannot be handled by either the Attorney General or District Attorney.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,



Ned Doffoney
Chancellor